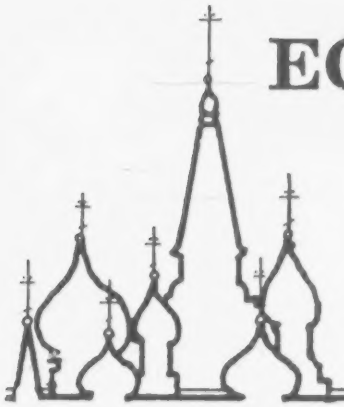
D2030-1



ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XV, No.6
February 23, 1991

ECONOMIC RESULTS FOR 1990

(Million tons unless otherwise indicated)

Product	1990 Output	1990 as % of 1989
Electricity (bil. kw hrs)	1728	100.3
Oil	570	94
Gas (mil. m^3)	815	102
Coal	703	95
Steel	154	96
Metal Cutting machine tools (1000 units)	22.5	95
Computer technology (billion rubles)	7.2	93
Tractors (1000 units)	494	93
Mineral Fertilizer	31.7	92
Pharmaceuticals (billion rubles)	3.9	106
Paper	6.2	97
Cement	137	98
Meat	12.8	97
Sausage products	3.9	100
Edible fish products	5.3	93
Butter	3.3	100.3
Cheese (1,000 tons)	881	98
Wholemilk products	34.6	100.1
Margarine products (million tons)	1.4	93
Granulated sugar	12.2	91
Confectionary	8.4	96
Canned foods (bil. cans)	20.4	97
canned fruit/vegs	14.3	96
Nonalcoholic beverages (million dekaliters)	582	93
Footwear (mil. pairs)	820	99.2
Television sets (billion units)	10.5	106
Refrigerators/freezers (billion units)	7.2	100.5
Radios (billion units)	6.5	107
Tape recorders (billion units)	6.3	109
VCRs (thousands)	454	364
Sewing machines (million units)	1.8	113
Washing machines	7.9	118
Vacuum cleaners (million units)	5.8	113
Furniture (bil. rubles)	10.3	107
Motorcycles (thousands)	1014	102
Cars (millions)	1.3	103
Paper Goods (mil. rubles)	979	108
Household soap (thousand tons)	710	97
Toilet soap (thousand tons)	309	101

Livestock Herds

(as of January 1st, million head)

	1990	1991
Cattle	118.4	116.2
out of which cows	41.7	41.4
Hogs	79	76.8
Sheep and goats	145.4	141.1

Economic Results for 1990

There is more gloomy news on the economic front. The annual report for 1990 is another in a string of increasingly poorer reports. Officially, the Soviets announced that the GNP for 1990 was 2% below what it had been in 1989 and that national income was down by 4%.

In the traditional industrial sector which the Soviet Union used to stress, and now puts back in the middle of their annual report, the major industries also seem to be suffering. Oil production, for example, was down 6% for the whole year and coal production was down 5%. Oil output is expected to fall even more in the months ahead. And as the production of oil falls, it is expected that exports will also fall. For example there are now reports in the Soviet press that oil production for 1991 is expected to fall 30-40 million tons, compared to the ten million ton droppage that took place in 1990. That is why some predict that the Soviet Union will become an oil importer three years from now. Electrical energy generation was just about the same as it was last year, which was quite an achievement given the fact that the Soviets are now having very serious problems in operating their nuclear energy plants and indeed now acknowledge that they have trouble finding places to locate them given the resistance of the neighbors.

Steel production is down 4%, cement production down 2% and paper is almost the same as it was last year.

The situation in food production seems to be particularly serious. The Soviets acknowledge that "the production of the majority of the kinds of food products decreased." They also acknowledge a drop in the production of razor blades, school notebooks, soap and cigarettes. Cigarette production in fact was down 9% from the proceeding period. Apartment construction was down 20%.

Compounding the problem is that while production is dropping, money incomes are rising. Money incomes rose approximately 17% and average wages rose from 240 rubles a month to 270 rubles a month. The average wage in cooperatives was almost double that, at 450 rubles a month.

As a sign of things to come, the size of all the herds are also down. In the extreme case the pig herd has reduced by 3%. Until recent years, there was always at least one animal that always seemed to be available in larger numbers than before. On top of everything else, the farmers were supplied with significantly smaller amount of farm machinery.

The Soviets have also begun to introduce a new way of classifying their grain crop. They now refer to grain weight after additional processing, which presumably allows for some loss. Thus the 1990 crop is reported at 218 million tons in contrast with the 240 million tons that they initially reported. In the same way, the crop for 1989 is now listed at 196.7 million tons in contrast to 210 million tons reported in 1989 itself. There seems to be a slippage of about 15 to 20 million tons. In earlier years the slippage was about fifteen million tons, but in 1990 apparently there was more wastage and so the figure was closer to twenty. As a consequence the Soviets now say that the crop for 1990 was actually lower than the 222.5 million tons harvested in 1978. In other words, at least in terms of grain taken from the field, 1990 was not the record year it was reported. Originally it was assumed that the 240 tons initially reported for 1990 exceeded the 237 million tons of 1978.

Equally disturbing is the fact that as of January 1, 1991, only 82% of the contracts that were supposed to have been signed were signed in contrast to the figure for the earlier

year that it reached 94%.

The Soviets also report that their foreign trade balance deteriorated and that the total exports were only 88% of what they had been in the preceding year, whereas imports were 98%. As a consequence, they acknowledged a threefold increase in the negative trade balance for the year. Overall it was reported at 10 billion rubles, although that includes trade with the members of the communist bloc, and that trade in 1990 was not conducted for the most part in hard currency.

While at this writing the figures for January are not yet available, the new Prime Minister Valentin Pavlov reported in an interview he gave to the newspaper Trud that industrial output in January was only 50% of what it had been January 1990. That suggests that even more bad news is to follow in our next newsletter.

Auction Results

As the enclosed figures indicate, in the currency auction that took place in Moscow on January 24, 1991, the value of the dollar rose to 25.02 rubles compared to 22.85 on January 8, 21.61 on December 14, 1990, and 20.94 on November 30, 1990. That contrasts with the official commercial rate of $1=1.6677 rubles.

Valiutnyi Auction

Date	Rubles to 1 US dollar
Jan. 24, 1991	25.02
Jan. 8, 1991	22.85
Dec. 14, 1991	21.61
Nov. 30, 1991	20.94

FOREIGN EXCHANGE RATES

as of 23 January 1991
Quoted in rubles

	Official Rate	Commercial Rate	Special Rate
£100 Sterling	107.58	322.74	1075.80
100 Aust. Sch.	5.24	15.72	52.40
100 D. Marks	36.85	110.55	368.50
100 D. Guilders	32.73	98.19	327.30
100 U.S. Dollars	55.59	166.77	555.90
100 Fr. Francs	10.82	32.46	108.20
1,000 Jap. ¥	4.17	12.51	41.70
10,000 It. Lire	4.90	14.70	49.00
100 Swiss Frs.	43.88	131.64	438.80
100 Nor. Kroner	9.45	28.35	94.50
1,000 Bel. Frs.	17.91	53.73	179.10
100 Sw. Kronor	9.88	29.64	98.80

The opinions published here reflect those of the author and not the Russian Research Center unless stated as such. ©1991.